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E.O. 12958: DECL: 11/07/2017
TAGS: [KNNP](#) [MNUC](#) [IR](#) [GM](#) [UK](#) [FR](#) [TU](#)
SUBJECT: BANK MELLI ATTEMPTS TO PURCHASE A TURKISH BANK TO
CIRCUMVENT UNSCRS 1737 AND 1747

Classified By: EUR/PRA OD Anita Friedt for reasons 1.4 (b) and (d).

[11](#). (U) This is an action request. Please see paragraph 3.

SUMMARY

[12](#). (S) The U.S. has information that Iran's Bank Melli has reached an agreement in principle to purchase a bank in Turkey, which could be used as a cover for activities prohibited by UNSCRs 1737 and 1747. On October 25, the U.S. designated Bank Melli for its support for proliferation-related activities under Executive Order 13382 ("Blocking the Property of Weapons of Mass Destruction Proliferators and their Supporters"). This designation was the result of Bank Melli's provision of financial services for Iran's defense and missile programs. Specifically, for providing financial support to entities previously designated under E.O. 13382, such as Iran's Aerospace Industries Organization, Atomic Energy Organization and Defense Industries Organization, some of which are also designated as subject to sanctions under UNSCRs 1737 and 1747. The U.S. urges Turkey to prevent the sale of the Turkish bank to Bank Melli and to exercise increased vigilance regarding any Iranian financial relationships.

OBJECTIVES/ACTION REQUEST

[13](#). (S) Washington requests Posts deliver the talking points and non-paper in paragraph 4 to appropriate host government officials in the foreign affairs and financial ministries. Posts should pursue the following objectives:

FOR EMBASSY ANKARA:

-- Alert Turkey that Bank Melli has reached an agreement in principle to purchase a Turkish bank.

-- Urge Turkey to take the necessary steps to investigate and prevent this purchase since the bank will likely be used to circumvent UNSCR sanctions.

-- Emphasize that the Executive Order 13382 designation of Bank Melli responds to the threat that it poses to the international financial system.

-- Note U.S. action against Bank Melli is consistent with obligations under paragraph 12 of UNSCR 1737 and urge Turkey to take similar action.

FOR EMBASSIES ANKARA, BERLIN, PARIS, LONDON:

-- Reinforce the need for increased vigilance regarding any Iranian financial relationships, as these may be engaged in proliferation-related transactions.

FOR EMBASSIES BERLIN, PARIS, LONDON:

-- Provide additional information to the EU3 on Bank Melli's involvement in Iranian proliferation activities.

BACKGROUND AND NONPAPER

14. BEGIN SECRET/REL FRANCE, GERMANY, TURKEY, UK NON-PAPER:

-- We would like to raise concerns about Iranian financial activities in Turkey.

-- The U.S. has information that Iran's Bank Melli (National Bank of Iran) has agreed in principle to purchase a bank in Turkey. We do not know the name of the bank in Turkey. Bank Melli planned to send a delegation to Turkey to carry out preliminary negotiations, get more information, and prepare an assessment report.

-- On October 25, the U.S. designated Bank Melli under Executive Order 13382 ("Blocking the Property of Weapons of Mass Destruction Proliferators and their Supporters") for providing financial services and support to Iranian entities designated under E.O. 13382 and for providing support for proliferation-related activities. As a result of this designation, all transactions involving Bank Melli and any U.S. person are prohibited and any assets Bank Melli may have under U.S. jurisdiction will be frozen.

-- The U.S. has information that Bank Melli is being used as a cover for activities prohibited by UNSCRs 1737 and 1747. In particular, Bank Melli/Hong Kong has done business with Sanam Industrial Group and Shahid Hemmat Industries Group (SHIG), entities designated in UNSCRs 1737 and 1747 as being involved in Iran's missile program.

-- Following the designation of Bank Sepah under UNSCR 1747, Bank Melli took precautions not to identify Sepah in transactions. Through its role as a financial conduit, Bank Melli has facilitated numerous purchases of sensitive materials for Iran's nuclear and missile programs. In doing so, Bank Melli has provided a range of financial services on behalf of Iran's nuclear and missile industries, including opening letters of credit and maintaining accounts.

-- We believe that Bank Melli is acting on behalf of Bank Sepah and is therefore covered by paragraph 12 of UNSCR 1737, which requires UN Member States to freeze assets not only of designated entities, but also entities acting on their behalf.

-- Bank Melli also provides banking services to the IRGC and its Qods Force. Entities owned or controlled by the IRGC or the Qods Force use Bank Melli for a variety of financial services. From 2002 to 2006, Bank Melli was used to send at least \$100 million to the Qods Force. When handling financial transactions on behalf of the IRGC, Bank Melli has employed deceptive banking practices to obscure its involvement from the international banking system. For example, Bank Melli has requested that its name be removed from financial transactions.

-- The Defense Industries Organization (DIO)- which was designated in the annex of UNSCR 1737-- has used Bank Melli/Hamburg to facilitate financial transactions. As noted in the UNSCR 1737 annex, subordinates of DIO have been involved in Iran's centrifuge and missile programs. The DIO also conducts research and development for Iran's defense and military forces and produces a wide variety of military-related weapons, technologies, and other equipment.

FOR TURKEY ONLY:

-- The United States urges your government to take the necessary steps to investigate and prevent this purchase given the risk that such a purchase could be used to support relationships or facilitate transactions associated with Iran's WMD and missile programs contrary to UNSCR 1737 or 1747, or other illicit activities. Allowing this transaction to take place could expose your banking system to illicit activity related to weapons proliferation.

-- In addition, we also urge you to exercise increased vigilance regarding all Iranian financial and commercial relationships, not just those involving Bank Melli. Should you identify any proliferation-related activities, we would urge you to freeze any accounts or transactions held or conducted in support of this activity.

-- As you know, the UN Security Council unanimously adopted UNSCRs 1737 and 1747 under Chapter VII. These resolutions apply sanctions to entities and individuals designated in the resolutions' annexes based on their involvement in Iran's missile and nuclear programs in order to prevent proliferation activities. Member States are required under operative paragraph 6 of UNSCR 1737 to prevent the provision of financial services related to the transfer or use of prohibited items and are also required under operative paragraph 12 of UNSCR 1737 to freeze the assets of designated entities/individuals as well as those "owned or controlled" by them or acting on their behalf. UNSCR 1747 further calls on states to exercise "vigilance and restraint" in providing Iran with financial resources, assistance or other services related to the supply of certain types of heavy conventional arms and military equipment.

-- Member States are required to ensure that entities within their territories, including banks, do not provide funds or other economic resources either to designated entities/individuals or to those acting on their behalf.

-- We look forward to hearing the results of any actions you take in this case at the earliest possible time and are prepared to provide additional assistance as appropriate.

-- We also look forward to working with you on these and other related security and counter-proliferation matters.

FOR UK, FRANCE, AND GERMANY ONLY:

-- In concert with the Executive Order 13382 designation, the information on Bank Melli's activities provides an additional example of the bank's complicity in processing proliferation-related transactions.

END SECRET/REL FRANCE, GERMANY, TURKEY, UK NON-PAPER.

REPORTING DEADLINE

15. (U) Post should report results by November 16. Please slug replies for ISN, T, TREASURY, EUR, and NEA. Please include SIPDIS in all replies.

POINT OF CONTACT

16. (U) Washington point of contact for follow-up information is Kevin McGeehan, ISN/CPI, (202) 647-5408, RuggieroAJ@state.sgov.gov.

17. (U) Department thanks Post for its assistance.
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